

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 932 - TIME-21 Fund (LSB 2934 HV)

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Fiscal Note Version - New

Description

House File 932 includes the following key provisions:

- Creates a new Transportation Investment Moves the Economy in the 21st Century (TIME-21) Fund in the State Treasury under the control of the Department of Transportation (DOT). The Fund will sunset on June 30, 2028.
- Increases the amount of Revitalize Iowa's Sound Economy (RISE) funds available to counties by revising the formulas for allocation of motor fuel tax revenues from the Road Use Tax Fund to the RISE Fund and Secondary Road Fund.
- Revises the formulas for allocation of RISE moneys to the Primary, Secondary, and City Street Funds.
- Requires the DOT to continue to study the revenue levels of the Road Use Tax Fund and report its findings and recommendations to the General Assembly every five years, beginning December 31, 2011. The Department is also required to evaluate alternative funding sources for road maintenance and construction and report to the General Assembly at least every five years on the viability of alternative funding mechanisms.
- Requires the Legislative Council to establish an interim committee composed of eight legislative members to study funding options for the TIME-21 Fund and report the committee's recommendations to the General Assembly by January 15, 2008.

TIME-21

Description

Moneys in the TIME-21 Fund are to consist of moneys appropriated by the General Assembly and any revenues credited by law to the Fund. The funds are to be allocated as follows:

- 60.0% to the Primary Road Fund. Projects are to be funded in the order listed:
 - Completion of projects on highways designated as Access Iowa highways.
 - Projects on the Commercial and Industrial Highway Network (CIN) that are included in the DOT's five-year plan or long-range plan for the primary road system. Projects in areas of the State that have existing biodiesel, ethanol, or biorefinery plants are to have funding priority.
 - Projects on interstate highways.
- 20.0% to the Secondary Road Fund. Funds are to be used for construction and maintenance of secondary road bridges and farm-to-market roads. At least 10.0% of the moneys must be used for bridge repair and maintenance, with priority given to projects that aid and support economic development and job creation.
- 20.0% to the City Street Fund. Funds are to be allocated based on population and used to sustain and improve roads in the City Street System.

Fiscal Impact

The amount of moneys that will be deposited into the TIME-21 Fund in FY 2008 and beyond is unknown, and therefore, the fiscal impact is unknown.

RISE

Description

- The formulas used to determine the allocation of motor fuel tax revenues from the Road Use Tax Fund to the RISE Fund and Secondary Road Fund are revised as follows:
 - RISE Fund: The amount of excise tax on motor fuel and special fuel is changed from 1 and 11/20 (1.55) cents per gallon to 1 and 3/4 (1.75) cents per gallon.
 - Secondary Road Fund: The amount of excise tax on motor fuel and special fuel is changed from 9/20 (.45) cents per gallon to 1/4 (.25) cents per gallon.
- RISE allocations to the Primary and Secondary Road Funds and the City Street Fund are revised as follows:
 - Primary Road Fund: From 20/31 to 4/7.
 - Secondary Road Fund: From 1/31 to 1/7.
 - City Street Fund: From 10/31 to 2/7.
- RISE funds allocated to the Primary Road Fund are to be used as follows:
 - 50.0% for highways that support the production or transport of renewable fuels, including primary highways that connect biodiesel facilities to highways in the Commercial and Industrial Network (CIN).
 - 50.0% for highways that have been designated by the DOT Commission as Access Iowa Highways.
- RISE funds allocated to the Secondary Road Fund are to be used as follows:
 - For secondary road projects, including projects on secondary roads that connect biofuel facilities with highways in the Commercial and Industrial Network (CIN).
 - At least 10.0% for bridge repair and maintenance, with priority given to projects that aid and support economic development.

Background

The RISE Program was established by the 1985 General Assembly to promote economic development in Iowa through construction or improvement of roads and streets. RISE funds allocated to cities and counties are awarded based on projects requested by the cities and counties and approved by the DOT Commission. RISE funds allocated to the State are deposited directly into the Primary Road Fund for use on the Commercial and Industrial Network.

At the time of its inception, the RISE Program was funded by an amount equal to a two-cent-per-gallon tax on motor fuel and special fuel, which was allocated from the Road Use Tax Fund to the RISE Fund. Of that amount, the RISE Fund was distributed as follows.

Two-Cent-Per-Gallon Tax on Motor Fuel and Special Fuel (Prior to 1989):

- State Primary Road Fund RISE Share: 1/2 or 1 cent per gallon
- Counties' RISE Share: 1/4 or 0.5 cents per gallon
- Cities' RISE Share: 1/4 or 0.5 cents per gallon

Legislation enacted in 1989 revised the formula for allocation of motor fuel and special fuel tax revenues from the Road Use Tax Fund to the RISE Fund and Secondary Road Fund. The legislation resulted in the transfer of 9/20 or .45 cents per gallon of the county portion of the RISE Fund directly to the counties' Secondary Road Fund. The remaining portion of the RISE Fund 31/20 (1 and 11/20 or 1.55 cents) was allocated to the State, cities, and counties. The revised formula, which remains in effect today, resulted in the following allocations:

Two-Cent-Per-Gallon Tax on Motor Fuel and Special Fuel (1989 - Current):

.45 cents:

- Counties' Secondary Road Fund: 9/20 (2 cents x 1/4 x 9/10)

1.55 cents:

- State Primary Road Fund RISE Share: 20/31 or 1 cent per gallon (1 cent / 31/20)
- Cities' RISE Share: 10/31 or 0.5 cent per gallon (0.5 cent / 31/20)
- Counties' RISE Share: 1/31 or 0.05 cent per gallon (.05 cent / 31/20)

Assumptions

- The current Road Use Tax Fund formula allocations to the Primary, Secondary, and Farm-to-Market Road Funds, and the City Street Fund will not change.
- An estimated 2.3 billion gallons of motor fuel and special fuel will be sold annually.
- The total amount allocated from the Road Use Tax Fund to the RISE Fund is estimated to be \$40.4 million annually, an increase of \$4.6 million compared to current law.
- The total amount allocated from the Road Use Tax Fund to the Secondary Road Fund, from the allocation of motor fuel and special fuel tax revenues, is estimated to be \$5.8 million annually, a decrease of \$4.6 million compared to current law.
- The estimated total amount allocated from the RISE Fund to the Secondary Road Fund is estimated to be \$5.8 million annually, an increase of \$4.6 million compared to current law.
- The estimated total amount allocated from the RISE Fund to the Primary Road Fund is \$23.1 million annually, the same amount allocated under current law.
- The estimated total amount allocated from the RISE Fund to the City Street Fund is \$11.5 million annually, the same amount allocated under current law.

Fiscal Impact

Primary Road Fund (RISE Share)

The RISE share of the Primary Road Fund is held harmless under the Bill. The Bill provides conditions on how the funds are to be used.

Secondary Road Fund

The allocation of motor fuel tax revenues from the Road Use Tax Fund to the Secondary Road Fund of counties will decrease by an estimated \$4.6 million, the RISE allocation to the

Secondary Road Fund will increase by the same amount. The Bill provides conditions on how the RISE Funds are to be used.

City Street Fund (RISE Share)

The RISE share of the City Street Fund is held harmless under the proposed Bill.

Sources

Department of Transportation

Department of Revenue, Monthly Motor Fuel Tax Reports

/s/ Holly M. Lyons

April 26, 2007

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
